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Globalization and the Flexibility of Labour: A New Challenge to Human Resource Management

SOM theme A: Structure, Control and Organization of Primary Processes

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1. Introduction

The 1960s represent a rather unique era in the economic history of the Western World: economic growth was unprecedented and created an economic surplus that enabled the expansion of Welfare Society. Although differences in growth rates, national histories and ideological backgrounds may explain why some countries came closer to the full realization of Welfare State's ideal than others, the idea that the negative effects of market forces should be corrected by some degree of state intervention was accepted by the political and economic leadership of most industrialized societies.

The legitimacy of this Welfare State was based on two arguments. During the sufferings of World War II many came to the conclusion that the unemployment and poverty of the 1930s had proved to be a fertile soil for Fascism to grow. It was thought to be paramount that after the victory over Fascism the mistakes of Versailles were not to be repeated. The rise of new 'Warfare States' should be prevented. Therefore, post-war society should foremost be a 'Welfare State'.¹ A second argument can be found in the

¹ In 1941 the term 'Welfare State' came about in England and was used for the first time by archbishop Temple in contrast with the power of the Nazi 'Warfare State'. Originally the concept was launched to sustain morale and discipline in wartime. Gradually it became associated with the promise of social benefits that post-war democratic society hoped to offer in order to guarantee a minimal level of civilised living. See P. Flora and A.J. Heidenheimer (eds), *The Development of Welfare States in Europe and America*, Transaction, New Brunswick/New Jersey, 1981, p. 19.

Keynesian paradigm as it developed within mainstream economic thought.² The significance this theory attributed to the maintenance of purchasing power during downward cyclical movements ended the charity nature of social security provisions and made the latter into a major instrument of economic policy. Thus at the end of the 1970s most European countries had - be it to varying degrees - institutional arrangements by which different proportions of the respective national incomes were redistributed.

The first oil crisis of 1973 turned out to be a symbolic turning point for Europe's political and economic elites. In most developed countries growth rates declined and it seemed as if those in power suddenly became aware of the fact that economic growth was less 'self sustained' than it seemed to be. For the first time in the history of the Welfare State the inborn strain between the principles of 'merit' and 'need' became apparent: the idea of providing social insurance against losses of income was based on the assumption that the risks of such losses were to a reasonable degree evenly and randomly spread over the population.³ Therefore, both from an economic as well as from a social perspective the uneven effects of declining economic growth and rising unemployment put pressure on the very principle of social insurance itself. From an economic perspective, since the rising volume of the public budget and its growing proportion of transfer incomes became more and more considered to be barriers on the road to a healthy economy instead of being major factors of stabilization: Employers pointed out that rising social security contributions increased the costs of labour which in turn undermined the competitiveness of European economies on international markets. From a social perspective, as the growing numbers of those apparently living on social security provoked the envy of the economically active part of the population. Rumours of abuse of the social security system and related fraud gradually became popular discussion topics, not only in the local pubs but also in the political arena: in those days of growing economic and social despair the idea that collectively organized social solidarity could be regarded as a major source of social misery attracted many supporters.

It is remarkable that the downfall of the economic growth myth in the West provoked policy discussions that went into completely opposite directions. On the one hand the late 1970s saw a rising interest in and a growing emphasis on the institutional prerequisites of a productive Human Resource Management in the firm; on the other hand, in discussions of macro-economic policy the Keynesian paradigm became more and more discredited and was gradually substituted by monetarism and supply side economics which proclaimed the de-institutionalization of economic processes as a major cure to the economic diseases of the West. In this respect the year 1982 symbolizes this

² J.M. Keynes, *General Theory of Employment, Interest and Money*, Macmillan, London, 1936.

³ J. Berting, 'Het kwetsbare maatschappelijke midden: over de veranderende grondprincipes van het samenleven', in: J. Berting, *De toekomst is altijd anders. Bijdragen aan de sociologie*, Boom, Meppel, 1995, pp.277-305, h.1 p. 283.

contradiction: it saw the publication of both Milton Friedman's *Capitalism and Freedom*⁴, a key text in monetarism and supply side economics, as well as the issuing of two equally famous books which emphasized the importance of the institutional context of economic success: Pascale and Athos' *The Art of Japanese Management* and Peters and Waterman's *In Search of Excellence*.⁵

2. The Institutional Approach to the Business Firm

When in the 1970s in the US and in Western Europe the economic climate started to deteriorate dramatically, economic decline could not yet be observed in Japan. On the contrary, the Japanese growth rate remained comparatively high. This remarkable difference between the economic developments in Japan and those elsewhere in the industrialized world elicited an active interest in the ways the Japanese ran their businesses. Most striking to western observers was the discovery that Japanese companies functioned as organic communities in which a strong organizational culture seemed to tie together the interests of workers and management. This 'Gemeinschaft' orientation seemed to be the basis of the high productivity of the Japanese worker and of such fruitful management methods like quality circles, Just-in-Time production, Management by Walking Around and the like. Consequently books, like Peters and Waterman's and Pascale and Athos' and the many of that kind that followed these, strongly conveyed the message that culture is one of the key factors in the success of a company.

This trend of the 1980s that promoted an institutionalization of western Human Resource Management along 'Japanese' lines - i.e. increasing the worker's commitment by enforcing the organizational culture - can be criticized on three grounds. First, it seems rather naive to explain Japan's relative success in the 1970s and 1980s by a model consisting of essentially two variables: organizational culture and workers' productivity.⁶ Secondly, as Woronoff⁷ pointed out, in the 1980s Japanese productivity was unevenly distributed over economic sectors, e.g. highly productive sectors like banking and

⁴ M. Friedman, *Capitalism and Freedom*, University of Chicago Press, Chicago, 1982.

⁵ R.T. Pascale and A.G. Athos, *The Art of Japanese Management*, Penguin, New York, 1982; Th. J. Peters and R.H. Waterman, *In Search of Excellence. Lessons from America's Best Run Companies*, Harper and Row, New York, 1982.

⁶ As a matter of fact the explanation is much more complicated and incorporates also many 'traditional' economic explanatory variables. See Charles J. McMillan, *The Japanese Industrial System*, De Gruyter, Berlin, 1985 and M. Aoki, *Information, Incentives and Bargaining in the Japanese Economy*, Cambridge University Press, Cambridge, 1988. Aoki's study is interesting because it emphasizes the relations between the actual organization of production and the macro institutional context that enables production to be organized the way it is.

⁷ J. Woronoff, *Japan's Wasted Workers*, Allenheld, New Jersey, 1983.

insurance stood in contrast to traditional and inefficient sectors like agriculture. Further, the Japanese labour market was an outstanding example of segmentation: only about 35 per cent of the labour force fell under the regime of lifetime employment and the well managed industrial relations so much admired by the West; the other 65 per cent had to survive in an industrial society in which state provided social security was only marginally developed. Finally, one could wonder if it would be possible to transfer successfully a system of management methods and tools to such high degree based on a collectivist tradition to the individualist cultures of the West.⁸

Whatever criticism can be put forward against the exaggerated expectations and the sometimes naïve attempts to introduce 'Japanese management' in its pure form in the West⁹, the interest in Japanese management practices certainly brought to the fore that the business organization is much more than just a system of material rewards in which the 'quid pro quo' principle produces cohesion and coordination. Without any doubt we owe the western evangelists of the Japanese system the revival of the ideas that life and behaviour in organizations have a lot to do with morality, commitment and meaning. It is this institutional approach to the business firm which is basic to some of the major aspects of modern management in the domains of total quality management, risk management, Human Resources Management and Corporate Identity. Among managers there seems to be a broad consensus that in order to survive the company has to be outstanding in these fields, a condition which can only be fulfilled if workers and employees feel committed to a minimal degree.

3. Globalization and the De-Institutionalization of Labour Markets

In 1982 Milton Friedman published his major work *Capitalism and Freedom*¹⁰, a plea for the restoration of market forces. Contrary to the business consultants who believed that the West could learn from the Japanese tradition to regard the business firm as a significant social collectivity, Friedman c.s. were convinced that one of the major causes of economic decline and stagnation as it developed in the 1970s was the obstruction of market forces by all kinds of social institutions. Therefore, national governments should

⁸ W. Dean Kinzley concluded that industrial harmony in modern Japan is not a self evident effect of its feudal past. It is the result of social engineering carefully based on a revitalised image of an idealised past, the invention of a tradition. However, this past with its collectivist character existed and was not - like in many countries of the West - interrupted by a bourgeois revolution diffusing the values of individualism and preceding industrialization. See W. Dean Kinzley, *Industrial Harmony in Modern Japan. The Invention of a Tradition*, Routledge, London, 1991.

⁹ The Japanese themselves turned out to be much more realistic. In the UK they introduced some of their systems adjusted to the British tradition. See M. White and M. Trevor, *Under Japanese Management. The Experience of British Workers*, Heinemann, London, 1983.

¹⁰ M. Friedman, *Op. Cit.*

restrict their economic policies to the enforcement of an optimal functioning of markets and of low inflation and interest rates. A high rate of unemployment had to be explained by inflexible labour markets which were characterized by all kinds of institutional rigidities preventing the realization of market equilibrium. So the solution of the unemployment problem was considered to be a de-institutionalization of labour markets by reducing social security arrangements, by neutralizing the effects of social legislation and labour law and by restraining as much as possible the power of labour unions. De-regulation, flexibilization and economic freedom became the new slogans to which the monetarist paradigm inspired. Unemployment became to be seen as the penalty for a lack of incentives.¹¹

In Western Europe there exist substantial differences between countries to the extent in which these monetarist policy prescriptions were followed. No doubt Margaret Thatcher was Friedman's most loyal follower. However, in almost all European economies Keynes had to give in to employers and economists who promoted the monetarist ideas as the cure to all economic diseases. One becomes really aware of the influence of this economic theory if one realizes that nowadays even social-democrats, the traditional advocates of corrective government action, plea for de-regulation, privatization and flexibilization.

In the 1980s monetarist theory was primarily used by politicians to support and legitimize particular types of economic policy which were believed to fight unemployment and inflation. In the 1990s Friedman's recipes were gradually used to cook another dish which is now called *globalization*. The so-called *globalization thesis* basically consists of three elements. First, it assumes that in the last decade speed and volumes of international capital flows have significantly increased. Secondly, that the number of potential places of business for internationally operating companies has increased because of technological innovations, notably of those in the field of information technology. Thirdly, that international competition has grown because the former socialist countries have now gained access to the world market. Because of institutional market rigidities and the resulting high level of labour costs it is supposed to be very difficult for the developed economies of Western Europe to compete at the ever more competitive world market. Economies than can improve their competitiveness by de-institutionalizing their markets, notably by increasing the flexibility of the labour market and by decreasing the costs of labour by breaking down all kinds of institutional arrangements like social security provisions and workers' rights.¹²

¹¹ E. Engelen, *De mythe van de markt. Waarheid en leugen in de economie*, Het Spinhuis, Amsterdam, 1995, pp. 132-133.

¹² See also Engelen, *Op. cit.*, pp. 10-12 and note 1, p. 203. Note that in order to prevent the economic exclusion of whole nations the globalization thesis now legitimizes the same type of policy measures which in the 1980s were promoted to prevent the exclusion of individuals from the labour market. It seems to be not too bold to argue that national monetary policies with regard to the EMU are

The effects of monetarist and globalization based socio-economic policies in European societies have certainly been tremendous. One could easily defend the thesis that they undermined the very foundations of the Welfare State without fulfilling its promises: in all European countries structural unemployment has remained high; the lines of division between those who have and those who have not seem to be sharper then ever after World War II and, most importantly, a socio-economic underclass has grown of underprivileged who are excluded from the economy and society because there is no longer demand for their qualities in the labour market and because the relatively low level of social security benefits in the long run takes away the prospects of a decent living and a full participation in society.¹³

The revival of the market and the associated ideas on the globalization and internationalization of business did not only have a tremendous influence on many European Welfare societies but also affected the thinking about the internal affairs of the business company. Because of the growth - be it supposed or real - of competition on international markets, it is assumed that the rate and tempo of the adjustments companies have to make in order to survive, have increased too. A crucial aspect of this process of constant adaptation of the modern enterprise can be found in the domain of Human Resource Management: in response to changing demands from the firm's environment, supply and demand on the internal labour market need an almost persistent fine tuning. This process of constant adaptation can only evolve on the condition that it is not blocked by institutional rigidities in the field of industrial relations. Thus it is the flexibilization of labour which has become one of the most important tools of management for the adjustment to changing market demands and new production technologies.

The increased power of market forces, the globalization of business and the associated de-institutionalization of the business firm's internal industrial relations have implied that the meaning of the firm as a social group has been reduced to a social collectivity in which instrumental rationality and efficiency as defined by management have become the dominant norms. In this respect the following developments can be observed.¹⁴ The organization's demands now dominate the worker: his qualifications have to fit completely to exigencies of the relevant tasks. If they do not, redundancy is imminent. The ways tasks are designed leaves too little room for a changing performance of the worker when his productivity drops because of aging. Organizational structures have become more flat; consequently the possibilities for promotion of the worker have

a special variant of the globalization thesis applied to Europe. Again, the same type of policy measures are proposed; again, the policy for maladaptation will be economic exclusion.

¹³ E.H. Bax, *Technological Development, Structural Unemployment and Social Exclusion in the Netherlands*, Groningen University, SOM Research Report nr. 95A13, Groningen, 1995.

¹⁴ Berting, *Op. cit.*, 1995, pp. 286-287.

lessened. Tasks have become more complex, but in many cases the worker's autonomy has decreased as to how to perform the task. The employee has to adapt to changing organizational exigencies, he has to be achievement oriented while at the same time many modern production concepts do not allow to establish the exact nature of the achievement. Further, there is a strong tendency that more and more employers try to execute these policies within the frame of short term temporary contracts or involuntary part-time employment.¹⁵ This type of Human Resources Management emphasizes primarily the need of specific characteristics of the worker while the issue is neglected to what extent the company could provide meaning for the employee.

4. Globalization and Flexibilization: Contradictory Demands to HRM

4.1. CONTRADICTIONARY DEMANDS TO HUMAN RESOURCE MANAGEMENT

To summarize, globalization and the associated rise of international competition have weakened substantially the position of labour within the business firm. With the exception of those workers who possess scarce and unique qualities which are considered to be of strategic importance to the firm's production, human labour is now really reduced to a 'production factor' of which the quantitative and qualitative composition can be changed overnight. The flexibility of labour has become a core element in HRM. These developments were 'enforced' by requirements coming from increased international competition and the presumed necessity to restore the price mechanism: these arguments moulded the legitimation to weaken the worker's institutional protection.¹⁶

Of course, from an ethical perspective one could renounce the globalization of business and the associated marginalization of labour. More important, however, seems to be the argument that globalization and the ways it is presently translated in Human Resource Management may negatively affect the functioning of the firm itself. If our analysis so far is valid, the globalization of business confronts management with a serious dilemma: on the one hand, in order to be able to compete on international markets, modern management has to strive for flexibility and an acceptable level of the costs of labour which may weaken the social and cultural dimensions of the firm as a human

¹⁵ See Lei Delsen, *Atypical Employment: an International Perspective. Causes, Consequences and Policy*, Wolters-Noordhoff, Groningen, 1995.

¹⁶ An additional factor resulting from the internationalization of business is the consequent weakening of national power centres. Given the mobility of capital, the availability of IT and the increase of potential places of business, multinational companies are less than ever tied to one country. This implies that they are able to avoid the constraints laid upon them by a particular national policy. Consequently, contrary to the 1950s and the 1960s the potential of national socio-economic policy is now rather limited.

collectivity and therewith the commitment of the employees. In simple words: why should an employee bother if he knows that he can be sacked any moment, why should he be loyal if he knows his employer won't be loyal to him and why should he do more than he is paid for if he knows he is treated like a dispensable item. On the other hand, some of the more modern management concepts that proved to be so successful in the Japanese experience - like fostering the corporate identity, quality management, the socio-technical approaches and other team work based production techniques - presuppose a minimal moral commitment of the workers. It seems as if we are faced with the contradiction that the modern firm that wants to survive in the global economy is forced to marginalize labour and therewith to destroy its workers' commitment, the very commitment which it needs for survival in a globalized economic world.

The above conclusions seem to be too pessimistic as there are different ways in which one can realize labour flexibility and as each of these can have a different effect on workers' commitment. In the literature two main types are distinguished: numerical and functional flexibility.

4.2. THE RISKS OF NUMERICAL FLEXIBILITY

Numerical flexibility of labour means that the number of workers or the amount of working hours is continuously adjusted to the needs of the production process. Numerical flexibility has to do with the *quantity* of units of work supplied. So 'the risks associated with the uncertainties and fluctuations of productions are transferred to temporary staff from employment agencies or to another enterprise (subcontracting, self-employed workers). How numerical flexibility is achieved is mainly determined by: scale, frequency and predictability of the workload fluctuations; the legal, administrative and labour market possibilities for securing additional workers who will not enjoy continuity of employment, and the nature of the job in question'.¹⁷

Following the line of argument presented in the former sections, numerical flexibility presents the largest potential threat with regard to workers' commitment and motivation since under this regime the employment relationship is purely utilitarian, dominated as it is by material rewards with only a minimal moral involvement from either side. This implies that numerical flexibility presents management with a problem of social control: the more the relation between the worker and the firm is of a temporary and a casual nature and, consequently, the more the employment relationship is dominated by material rather than moral incentives, the more difficult it will be to socialize the worker into the firm's values and norms - its culture and tacit knowledge - and the more management has to rely on a system of formal and explicit rules.

Given the complexity of modern production processes it then is a relevant question whether or not the advantage of relative cheap labour balances the disadvantage of a lack of commitment and the consequent necessity to rely on formal rules and procedures. Taking the domains of Quality Management and Risk Management¹⁸ as examples, the negative spin offs of numerical flexibility can be clearly demonstrated. First, control by formal rules can seldom produce total coverage and most people are creative. In this sense even the enforcement of formal rules by brutal power can never guarantee norm compliance if all intrinsic motivation to comply is absent. Although scarce, even the most totalitarian regimes, like e.g. concentration camps, saw successful

¹⁷ Van Delsen, *Op. Cit.*, p. 58. In the Netherlands the number of 'flexible jobs' as a percentage of the total number of jobs rose from 7.9 per cent (1987) till 9.8 per cent (1994). In the EU-12 countries the percentage of workers on temporary contracts was in 1993 10.4 per cent of all contracts (Greece: 10.5; Netherlands: 10.0). See EUROSTAT, *Labour Force Survey*. It is not so much that the present level of temporary contracts is very large, but rather that the growth rate is impressive. Further, these type of contracts are no longer exclusively applied to low skilled labour. The present trend is that also highly skilled professionals and academics become included in the peripheral work force.

¹⁸ As risk management can be defined as pro-active management aimed at the prevention of undesired events to happen, quality management could be regarded as a specification of risk management if low quality is defined as an undesired event or as the result of one or more undesired events occurring in the production process.

acts of sabotage by their victims.¹⁹ May be this seems too far removed from every day life in a European business firm; however, literature provides cases of sabotage by workers on the shopfloor as silent acts of protests against authoritarian rule.²⁰ This suggests that systems of quality management can never be successful if they are based on formal rules and bureaucratic procedures alone; a minimal workers' involvement seem to be a condition sine qua non. Thus the standard of product quality becomes a function of the quality of industrial relations within the firm and of Human Resource Management in general.

Secondly, the cognitive abilities of people are limited. This implies that every human brain can only absorb a limited number of rules. Of course, even the most organic type of organization needs formal rules. However, the relation between the number of formal rules and their effectiveness in controlling anticipated situations takes the shape of a hyperbola: after a certain point a further increase of rules becomes counterproductive: because people get confused by the abundance of rules to which they have to abide the probability of them making misinterpretations and mistakes will increase.²¹ So here we are confronted with a paradox of bureaucratic organization: the more rules are issued to control a (potential dangerous) situation, the less effective the sum total of these rules will be in actually controlling that situation. In recent research we found support for this theorem: employees performing complex tasks in dangerous high risk situations put less trust in official rules to control those situations than high risk workers performing in less complex task environments.²²

Thirdly, in organizations characterized by strong regimes of formal rules and procedures human behaviour tend to get a ritualistic nature. Because in such organizations rule obedience is the most important criterium by which the worker is evaluated, for the worker stringent rule conformity is the best protection against the whims of management. It implies that the worker bans every initiative and creativity from his behaviour. Even if everything goes wrong, as long as the worker strictly conforms to the rules he cannot be blamed. Thus in such situations, although meant as a mean, a rule becomes an end in itself.²³

Fourthly, those who design and issue rules are subject to bounded rationality. This implies that rules and procedures issued in industry in order to control risk prone situation

¹⁹ See for this argument and the relationship between compliance and power: Amitai Etzioni, *A Comparative Analysis of Complex Organizations*, revised and enlarged edition, The Free Press, New York, 1975, pp. 3-103.

²⁰ See Stella Braam, *De blinde vlek van Nederland. Reportage over de onderkant van de arbeidsmarkt*, FNV Pers/Van Gennep, Amsterdam, 1994.

²¹ Wagenaar labels these kind of mistakes as rule-based and knowledge-based errors. See W. Wagenaar, *Tripod: A Principled Basis for Safer Operations*, Shell International, London, 1989.

²² The research report will be published in 1996 by Groningen University, Faculty of Management and Organization Research Institute SOM, Groningen, The Netherlands.

²³ See R.K. Merton, *Social Theory and Social Structure* (enlarged edition), The Free Press, New York, 1968: notably p. 253.

can by definition only relate to those risks which can be labelled and described beforehand. These risks are only an unknown proportion of all risks that *could* emerge in the situation to which the rules apply. Consequently, to various degrees every situation contains yet undefined risks for which no rules and procedures will exist the very moment they become manifest. If so, then workers will be confronted with new and unknown situations to which they are not prepared. The more workers relate and feel committed to their work environments, the more they are well trained and the more they have tacit knowledge of the processes at hand, the higher the probability that workers will take the right course of action in such a unforeseen situation.²⁴

From the above we can conclude that numerical flexibility may generate risks and substantial disadvantages for the firm applying it. Of course, the degree to which numerical flexibility will have negative effects on the total performance of the firm may depend on a number of factors such as the number of flexworkers as a proportion of the total work force, the precise nature of the primary production process as a technological and as a social system and the like. However, in my view the disadvantages of numerical flexibility can be substantial and are at present largely underestimated: the heart of the matter is that it is not very realistic to assume that numerical flexibility provides the firm with workers who feel committed and who have internalized the companies values and norms. The more such a commitment and internalization of culture is considered to be essential - be it directly or indirectly - for the market performance of the firm, the more disadvantageous the appliance of numerical flexibility will be.

4.3. THE RISKS OF FUNCTIONAL FLEXIBILITY

Functional flexibility of labour is a qualitative characteristic of the job structure of the firm. Contrary to numerical flexibility where the volume of working hours is the principal variable, functional flexibility means that the number of tasks attached to a job is enlarged and that the worker performs these tasks alternately to the degree that the performance and the output of a particular task is needed: in a functionally flexible production process the number and type of tasks per worker are the variables while the number of working hours is the constant.²⁵ Multi-skilling then is a prerequisite to a functionally flexible work force. However, this implies that the number of time units needed to train the worker will increase in relation to the number of tasks added to the

²⁴ See E.H. Bax, 'Organization and the Management of Risk in the Chemical Process Industry', in: *Journal of Contingencies and Crisis Management*, September 1995, Volume 3, Number 3, pp. 165-181. In this respect a serious problem is that employers are willing to invest in the training of temporary staff only to a very limited extent.

²⁵ Of course, a blending of numerical and functional flexibility is possible; in that case the number of working hours is also variable.

job. From the perspective of returns to investments in human capital flexibilization of the production by the use of functionally flexible labour will only be applied in situations where employees have a more or less enduring employment relationship. Consequently, the disadvantages of numerical flexibility as stated above are avoided, as in such situations the commitment of employees towards the firm is not jeopardized by a too limited time period of the labour contract.

However, this does not mean that functional flexibility is a way of organizing work without dangers and risks. The latter refers especially to the increase of stress and the loss of motivation and commitment of the worker. In turn these could result in a decrease of the worker's learning ability and the increase of the occurrence of errors and incidents in production and the decrease of commitment. Whether or not these negative effects will come about depends largely on the ways in which functional flexible jobs are fitted into the organization.

In this respect, a worst case scenario is the effectuation of functional flexibility by just adding new tasks to a job without adjusting the organization's authority structure. As Karasek²⁶ made clear, such a job enlargement should be accompanied by job enrichment, i.e. a relevant increase of authority to enable the worker to control his job. This is so, because an increase of tasks related to a job means an increase of the complexity of that job and, consequently, an increase of the demands to which the worker is submitted. Workers then can only perform adequately if they are given the control needed to meet those demands. The latter can be done by delegating authority to the worker combined with sufficient training in order to raise the skill level. Thus effective functional flexibility requires an adequate equilibrium between job enlargement and job enrichment.

²⁶ R.A. Karasek, 'Job demands, job decision latitude and mental strain: implications for job redesign', in: *Administrative Science Quarterly*, 1979, 24, pp. 285-307.

5. Conclusions

In the late 1970s the Keynesian idea that government intervention could stabilize a nation's economy and protect it from decline was seriously attacked by supply side economics. The latter's major proponent, Milton Friedman, argued that economic growth could only be restored by the abolition of institutional rigidities that blocked market forces. The attack proved to be successful: everywhere in the western world, be it to varying degrees, public budgets were cut down, notably on social security provisions. In the late 1980s the so-called globalization thesis gained popularity among economists and politicians. This thesis can be regarded as a specification of supply side economics: it also strongly recommends the removal of institutional rigidities in order to enhance the competitiveness of the economy which is considered to be a prerequisite for survival in a global economy.

At the level of the business firm the globalization thesis urges employers to reduce production costs as much as possible and to increase flexibility. In the domain of labour in most European countries firms try to achieve this aim by strengthening internal market forces - which implies the de-institutionalization of the employment relation - and by applying numerical flexibility. This implies that the employment relationship between employer and employee is both legally and socially marginalized.

At the same time, however, survival in a global economy also asks for a type of management which can only be successful on the condition that the cohesion of the firm as a social group and the commitment of its workers is at least preserved. This becomes especially apparent in such fields as quality management, customers relations, risk management, corporate communications and corporate identity which can only develop to a satisfactory degree if there exists something like an organizational culture which is a locus of identification and which can serve as a vehicle of integration and motivation.

If we accept the assumptions and arguments on which the globalization thesis is based, it seems as if globalization confronts Human Resource Management with contradictory demands: striving for cost reductions and flexibility on the one hand and enhancing the workers' commitment on the other. The passing of this Scylla and Charybdis means a new challenge for European Human Resource Management in the years to come. It requires a new orientation which does not sacrifice commitment to flexibility, but which instead utilizes commitment and the potential of human resources to produce high quality products in a flexible organization.

It seems to me that the functional flexibilization of labour offers the best options to reach this goal. However, as we stated above, functional flexibility will only yield the desired results if the organization of labour within the firm is re-designed in such a way as to delegate authority to the workers to enable them to control their work situation. Consequently, in a global economy modern HRM cannot be an adaptive strategy which is more or less exclusively oriented towards recruiting and selecting people for a given

job structure within the firm: next to these traditional tasks modern HRM will also have to take responsibility for the design and continuous redesign of this structure itself.